HIGHLIGHTS AND RECOMMENDATIONS OF THE VIRTUAL MEETING OF THE CGAP WORKING GROUP ON IMPACT ASSESSMENT METHODOLOGIES
April 7-19, 1997

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In April 1997 the CGAP Working Group on Impact Assessment Methodologies conducted a virtual meeting on microfinance impact assessment. This conference was preceded by the submission of background papers commissioned by the members of the Working Group. In addition, the Working Group contracted David Hulme of the University of Manchester to prepare a discussion paper, "Impact Assessment Methodologies for Microfinance: A Review". The virtual conference brought together 23 participants, from donor agencies, research institutions and practitioner organizations. Using e-mail and a 'listserve' created for the meeting, the discussion took place in real time in India, Australia, Europe and the U.S. A moderator, Gary Gaile of the University of Colorado, facilitated the meeting. The interaction ebbed and flowed nicely, with participants entering the debate at various times.[1]

The conference debated three themes: the objectives, methodologies and standards for conducting microfinance impact assessments. A consensus emerged on the need to link impact assessments more closely to program management. Recommendations focused on the need for a methodological norm in this field which gives priority to a mix of small quantitative surveys, qualitative studies and, where appropriate, participatory approaches. They must be at once affordable and generate credible findings.

This paper summarizes the debates under each of the major topical headings. Key issues were voted on in an endeavor to identify areas of consensus. The results of the vote on these issues are interspersed throughout the paper and appear in bold. The conclusion focuses on key recommendations.

OBJECTIVES

In his discussion paper, David Hulme differentiated between two goals of impact assessments: 'proving' impacts and 'improving' interventions. The 'proving' perspective, with its emphasis on demonstrating that positive impacts occur, was recognized by the participants as a basic requirement of most impact assessments. However, several participants noted the impossibility of ever being able to obtain real proof or to truly "prove" anything with absolute surety. Initial responses also agreed that donors and implementing organizations share a universal objective of "accountability." Elaborating on this point, one participant said that accountability should be more closely linked to auditing than to impact assessment. He further argued that the trade-off between the objective of accountability and objective of learning with respect resource allocation could be resolved by linking accountability more closely to auditing.

[1] For a more complete explanation of the conference process, which was managed by the AIMS project at Management Systems International, see the list of background papers and list of participants, in the Appendices to this paper.

Poverty reduction took a prominent position in the debate. Several participants reminded the conference that this is a central issue. One participant noted that poverty reduction is “very public” and becomes enmeshed with “accountability” as a clear charge for impact assessments.

Several participants argued that many impact assessments have been largely donor driven. However, another group, notably the practitioners, reflected on their own need for a different priority for impact assessments, “ to inform the design and evolution of improving programs.“ Going further, one participant stressed that not only should impact assessments be “a regular and continuous activity” but that it is essential to integrate them into a program to ensure that major long term impacts are achieved.

The ‘improving’ goal with its focus on linking impact assessment to programming was discussed extensively. The debate suggested a need not only for a client focus but also for an institutional focus in impact assessments. Some supported this approach, but other participants felt that a client needs objective is “more compelling and practical.” The argument was put forward that “sustainable institutions depend on sustainable clients”. Several said that this is a bi-directional relationship as well as a cumulative process. While there was general agreement that the long-term financial viability of microfinance institutions depends on the viability of its clients, one dissenter cautioned that the viability of the borrower is neither a necessary nor sufficient condition for the sustainability of the microfinance institution or vice versa. Rather, both aspects (client and provider) need to be covered in an impact assessment.[2]

The link between clients and microfinance institutions contrasts noticeably with what has been evaluation practice until now: a definitive separation of institutional performance evaluation and impact assessment. One consequence of this distance between the two is that the findings of impact assessments are often seen as having very limited utility for microfinance institutions beyond justifying the expenditure of funds. However, if impact assessments are to be more operationally relevant the question was posed, what is the ‘overlap’ between institutional and client interests. The time dimension here is fundamental. Impact takes time, and sustainable institutions are needed in order to have an impact on clients over time. One participant argued that the overlap can be a “win-win” situation (lowering administrative costs and thus costs to clients) or a “win-lose” when institutions transfer costs to clients. “Win-win” led a participant to suggest that overlap could become a “virtuous circle.” Another pointed out that linking impact assessment to institutional performance was necessary in “these business and market minded times.”

This discussion of the linkages between program performance and impact also led to a debate about

[2]Only focusing on welfare effects (poor clients) neglects the distinction between ability and willingness to repay loans. Even when an impact assessment shows that borrowers improve their welfare, such a welfare improvement may lead to a change in repayment behavior as the borrower's outside opportunities may rise. If welfare improvement leads to weaker financial discipline in terms of repayment behavior, it may threaten the viability of the credit institution in question. On the other hand, borrowers may use several sources for repayment (e.g. other loans, own assets, income from other projects or members of the household). In cases where there exist strict monitoring mechanisms and borrowers have access to several sources for funding, the financial viability of the microfinance institution is high while the viability of the borrower is low. (For further discussion, see Arne Wiig’s background paper, “Credit Expansion in Microcredit Programmes: Dilemmas and Feasible Methods for Studying Them”.).

whether different financial products result in different impacts. While there was broad agreement on this point, reservations were expressed by some that different products <u>could</u> possibility lead to similar impacts. One participant, noting that different products might be related to different program goals, argued for a comparative impact assessment of a minimalist program and a program with a more holistic approach toward household and community growth in order to gain further insight on this issue.

With the participants seeing a greater role for impact assessments, what should current and future impact assessments emphasize? They should be linked more closely to the operations of microfinance institutions. One practitioner observed that while "the current definition of performance evaluation tends to focus on two issues: depth and scale of outreach, and financial sustainability, client feedback on program services can help explain both the level of observed impact, as well as serve as a useful market research tool for programs." This means better balancing an impact assessment's focus on client welfare and financial sustainability. It is important to know the "whys" of both clients and institutions in order to assess whether objectives are actually met. Accepting the 'improving' goal, it is clear impact assessments/impact monitoring can enable us to "tinker with design features, policies, service mix...to better achieve intended impacts and minimize negative impacts." One participant cogently noted that impact assessments can

- identify which clients are receiving more benefits and which less, and illuminate the reasons why...;
- provide information on the liveliness or barrenness of different sectors in which clients are working...; and
- ask questions about what clients value in their programs; what products and services they would prefer; what barriers they are facing."

Finally, impact measurement should help to assess additional objectives of community and women's empowerment and other non-quantifiable indicators of change. Yet, from the debate it was also clear that there is a need to tread softly on empowerment. There was a mixed view of whether empowerment is an important variable to include as a measure of impact. Two participants pointed out that empowerment may not be an objective of some microfinance institutions, so its inclusion should depend very much on the context.

There was general and strong agreement that there is a need for integrating impact assessments into existing microfinance programs and/or to strengthen internal impact monitoring. This is still a young area, however, and few examples are in place. Several suggestions were raised including the possibility of client self-monitoring. The need to link impact measurement to client monitoring and thus include it in an institution's MIS was also explored.

Another issue of consensus was that neither the financial systems approach, with its focus on sustainability and outreach, nor the analysis of transaction costs, as proposed in one of the background papers, were seen as useful or sufficient for impact assessment. Rather impact assessments must focus on both the institutional provider and the clients. Beginning with a focus on "benefits to the poor" is a useful starting point. One participant stressed that this is "essential".
Monitoring should take a broader view than just measuring simple indicators of client success. Consideration should be given to the role of the assessment itself as a vehicle for client

empowerment, especially women.

METHODOLOGY

How to design an optimal methodological mix to link different objectives with different impact assessments was a central question debated during the meeting. Given the richness of objectives, an array of methods is clearly appropriate.

Yet, at the beginning of a methodological debate, it is useful to restate the well-known problem of proving causality. Implementors of microfinance programs, including most of the conference participants would truly be happy to say that "microenterprise credit programs lead to poverty alleviation." However, making the case for attribution lies at the heart of impact assessment. While one "cannot really prove impact," one participant noted that you can show "plausible association" and rule out rival hypotheses. Even though one cannot ever say anything about impacts with absolute surety, one can make claims based on strong empirical evidence that has a high likelihood of validity. Impact assessments can be designed to provide substantial evidence which can never prove a case, but which can make a case much more difficult to disprove. It is within the context of these disclaimers that we must ask, what methods are appropriate for the assessment of microfinance impact?

Controlling for fungibility between the household and the enterprise has been a major methodological problem for impact assessments. The Household Economic Portfolio Model (HEPM) was acknowledged as representing a significant advancement in the development of an appropriate framework for accommodating fungibility and received general acceptance as a methodological innovation.[3] One participant noted it captures "...the context in which clients live, her/his priorities for improving their lives and processes of change." Not only does the HEPM allow for a robust impact assessment method, but it avoids control-type approaches for fungibility which are methodologically not feasible. In addition, the HEPM allows the analysis to extend beyond the household as a black box and consider both the intra-household allocation of resources and inter-household linkages as they affect the allocation of resources to household microenterprises.

Control group identification remained a big question. One participant referred to Mosley's background paper which addressed the distinction between control groups and comparison groups. One thought that the difference was minimal, Mosley's control groups "are at best comparison groups." In both instances, their primary purpose is to elaborate on the 'counterfactual', what would have happened without the intervention. One respondent felt that comparison/control groups could not be used as proof or disproof but only to indicate change. Another practitioner noted that control groups in the sense of denying people access to services for the purpose of the assessment are not possible. Comparison groups only should be included in impact assessments. However, there was disagreement on whether the inclusion of comparison groups in impact assessments is necessary to

[3] The household economic portfolio model (HEPM) provides a framework for understanding the role of microenterprises in the household economic portfolio and the ways risk enters into decision making about the use of microenterprise credit. For further information consult Martha Alter Chen and Elizabeth Dunn, "Household Economic Portfolio Model" AIMS Project Working Paper. 1996. Management Systems International.

ensure a rigorous approach. While desirable, it can not be argued that they are necessary, regardless of the objective of the assessment.

Central to the debate on methodology is the question of the size of impact assessments. Several participants called for a move towards recognizing and facilitating smaller, yet credible, impact assessments. This is an important conclusion in light of the current view of many in the microfinance field who correlate credibility with very high cost. Several participants argued that ”smaller impact assessments could serve as the base for more rigorous impact assessments.” It is clear there is a “hierarchy of purpose and rigor” and that “low and middle level impact assessments proposed in Little’s background paper are also consonant with a credible practitioner-oriented approach.”

Smaller impact assessments will require the fine-tuning of the methodology. Moreover, as smaller assessments gain credibility other changes will come into play. The emerging norm may be “the findings of small scale client surveys and rapid and participatory appraisal methods.” There may also be an increase in the importance of case study information that is not generalizable. Triangulation which involves using a mix of methodologies, both quantitative and qualitative, was strongly advocated. Another set of methodological challenges associated with the overlap between client level impacts and institutional performance was indicated. They include:

How can we capture the impact on dropouts?
How can we identify retention problems among clients?
Can we study the distinction between ability and willingness to repay?
Does client success lead to non-payment?
Can we use impact assessment methodology to predict and enhance repayment?
What negative impacts can impact assessment identify?

These and other questions remain fertile areas of inquiry in the continuing debate on impact assessment.

Another related issue, raised both in discussion and in some of the background papers, is who should undertake impact assessments or impact monitoring. Should it be ‘the project itself for its own sake, the research department of the financial institution, a research institute, a local or an international institute, the implementing institution or an external agency’? One practitioner participant observed that implementing agencies often have little capacity to analyze the data. Hulme in his Discussion Paper noted that recruiting impact assessment personnel who have the skills and qualities to do all aspects of impact assessments can be a key problem that applies to both consultants and fieldworkers. He argues for strengthening the human and institutional resources available for assessments in developing countries.

Participants agreed that the Household Economic Portfolio Model is an appropriate methodological approach for dealing with the issue of fungibility. However, several participants have reservations about claiming it as the best methodological approach. Rather, it should be seen as a framework which can be used in the formulation of hypotheses and the selection of elements to be considered in an impact assessment.

General agreement was reached on the need for a mix of approaches to impact assessment.

One participant argued for complementary approaches. Another stressed that problems of attribution can be reduced by skilled survey design and triangulation.

Within the range of impact assessment studies deemed possible, there was a consensus that smaller studies can be credible and considered valid if they use rigorous methods.

In recognition of a continuum of approaches to impact assessment, there was general acknowledgment that there will be a tradeoff between resources available and the standards that can be achieved.[4]

STANDARDS AND RECOMMENDATIONS

A goal of the virtual conference was to move toward a consensus regarding the use of impact assessment and the identification of possible standards to be used for impact assessment. Several participants cautioned against setting standards at this time and suggested the development of guidelines. A starting point for a set of standards was the recognition by one participant that smaller impact assessments "must stand the test of credibility, utility and cost-effectiveness." She then suggested "characteristics to make such impact assessments credible:

1) a small set of central hypotheses;
2) variables that have a track record in a variety of previous assessment studies;
3) triangulation of methods that are clearly documented;
4) methods applied consistently over time;
5) includes a comparison group; and
6) training of staff for carefully done impact assessment

In moving towards the development of a credible set of standards certain issues were reviewed at the end of the meeting. The following listing identified areas of agreement and disagreement:

Comparison and/or control groups are essential for credible impact assessment. Some participants argued they are desirable versus essential. Others noted that comparison groups may suffice.

Not only is longitudinal analysis essential for credible impact assessment, but the time period covered by the longitudinal study should be long enough for impacts to manifest themselves. Broadly, a longitudinal design was viewed as desirable, but not always possible or essential.

The scope and scale of impact assessments should be limited. They need not be as extensive as is often demanded by donors and/or implementing organizations. There was general consensus among the participants that comprehensive studies cost too much as a percentage of operating costs for all but the biggest programs. However, one participant qualified this statement by suggesting that

[4] Some participants argued that the "continuum" be replaced with "plurality," and "standards" be replaced by "rigor". One participant argued that improved methodologies could produce more useful impact assessments at no additional cost.

generally the cost depends on the program's and the impact assessment's objectives.

Rigor relates to both the design of the impact assessment as well as to the particular methodology.

Interviewers should be carefully trained and questionnaires should be translated into the local language .

Protocols should be established to introduce the study to respondents. One participant elaborated on this issue, for which there was a consensus by noting that this is part of an ethical issue. Another stressed that program clients who are being 'surveyed' need to be incorporated more extensively into the whole process, rather than being just passive respondents to questions. They should be active in and integral to the design of the assessment as well.

Instructions for recording interviews should be standardized. Within the group the concept of standardization was greeted with reservation in the context of constraining the richness and flexibility of qualitative approaches.

The long term benefits of work to improve impact assessment methodologies are dependent on developing in-country designs. In supporting this statement the reservation was expressed that this should not preempt the move to "develop some common prototype instruments" that could be used in different contexts. Another participant argued we need to further the development of in-country capabilities (versus designs).

CONCLUSION

A significant proportion of impact assessments have 'low impact' on policy and practice. To overcome this, certain steps need to be taken. Hulme in his paper asserted that in part this reflects the tendency among the designers of impact assessments to allocate too much thought to methodology and too little to dissemination. While there is a consensus that more dissemination is important, it must be timely. All too often the findings from impact assessments are made available to the implementors long after the original surveys were undertaken. It is no surprise that implementors see the results as useless. To change this perspective it is necessary to shorten the time lag between data collection and dissemination of results. This clearly supports the recommendation of smaller and simpler impact assessments or impact monitoring by the microfinance institutions themselves.

However, in developing new approaches to impact assessment we also need to be sure that we "move clearly as a community to a common vision of what's important to measure" and what we can measure given the resources. The need for credible results should be central to the choices.

It was a lively, provocative and useful two weeks. Many issues were aired and the move to consensus was done carefully and thoughtfully. There was general agreement that it would be desirable to have further fruitful interactions.

APPENDIX A:
THE VIRTUAL CONFERENCE PROCESS

At the CGAP meeting in September 1996 the Working Group members agreed to conduct a virtual meeting on Impact Assessment Methodologies. The meeting involved three steps.

1) many of the Working Group members wrote or contracted consultants to prepare background papers (see Appendix C);

2) the CGAP Working Group contracted David Hulme of the University of Manchester to prepare a discussion paper that built on the information presented in the background papers; and

3) the services of the USAID's AIMS project at Management Systems International (MSI) were contracted by USAID and CGAP to manage the virtual meeting. This involved contracting for the Discussion Paper and the meeting moderator and managing the logistics associated with an international meeting in cyberspace. MSI contacted the participants and distributed the draft Discussion Paper and background papers to the 23 participants in the virtual conference.

MSI distributed a clear set of "Instructions for Joining the 'IMPACT' Discussion Group and Guidelines for Participation" to all participants. In the week before the conference, participants joined a "listserve" which was created and maintained by MSI. This "listserve" allowed a participant to log on to their electronic mail (EMAIL) and simply type "IMPACT" for an address. This insured that their messages would go to all participants subscribed to the impact assessment electronic mail.

The moderator opened the conference on April 7th with a welcome, an approximate schedule of discussion topics, and a set of initial questions to begin the debate. Participants sent responses and comments over EMAIL using simple text messages. Comments were sent at any time, and, given the global reach of the participants, were received at all hours of the day and night. Participants "logged on" to their EMAIL and read the answers, comments and queries from their fellow conferees. The interaction ebbed and flowed nicely, with participants entering the debates at various times.

The moderator offered wrap-ups occasionally during the conference and posed additional questions, often asking whether a consensus could be found. As the end of the debate neared, an list of 18 items was compiled from the background reports and the record of the ongoing debate. This list was submitted to the participants for their vote regarding consensus and the results are reported in this document.

The conference ended April 19th and was deemed a success by the participants.

APPENDIX B:
CGAP VIRTUAL MEETING PARTICIPANT LIST

Name:	Affiliation:
Andy Olver	Australian Agency for International Development
Sam Zappia	Australian Agency for International Development
Adam Folkard	CARE/Australia
Renee Chao Beroff	Centre International de Développement et de Recherche (CIDR)
Arne Wiig	Chr. Michelsen Institute
Mark van der Voet	Dutch Ministry of Foreign Affairs
Ben Simmes	EDCS, Netherlands
David Hulme	Institute for Development Policy and Management
Osvaldo Feinstein	International Fund for Agricultural Development
Hege Gulli	Inter-American Development Bank
Berndt Balkenhol	International Labor Organization
Haje Schutte	International Labor Organization
Werner Neuhauss	Kreditanstalt fur Wiederaufbau
Carolyn Barnes	Management Systems International, AIMS Project Director
Linda Mayoux	ODA consultant
Mavis Owusu-Gyamfi	Overseas Development Agency
Oddvar Espegren	Stromme Foundation
Elaine Edgcomb	The Small Enterprise Education and Promotion Network
Paul Mosley	University of Reading
Monique Cohen	USAID, Office of Microenterprise Development, Economic Growth Center, Global Bureau
Beth Rhyne	USAID, Office Director, Office of Microenterprise Development, Economic Growth Center, Global Bureau
Brigit Helms	World Bank/CGAP

Moderator: Gary Gaile, University of Colorado, MSI consultant

APPENDIX C:
LIST OF BACKGROUND PAPERS

Title	Author	Sponsor
Impact Assessment Seen from a NGO Practitioner's Scope	Renée Chao Beroff	CIDR
A Transactions-Costs Approach for Microfinance Project Assessment	Osvaldo Néstor Feinstein	IFAD
Impact Assessment Methodologies for Microfinance: A Review	David Hulme	CGAP
Income and Assets as Impact Indicators	Peter D. Little	USAID
Impact Assessment and Women's Empowerment in Micro-finance Programmes: Issues for a Participatory Action and Learning Approach	Linda Mayoux	ODA
The Use of Control Groups in Impact Assessment for Microfinance	Paul Mosley	ILO
Rural Finance: Issues, Design, and Best Practices	Jacob Yaron, McDonald Benjamin, Gerda Piprek	KFW
Outline for Impact Assessment in the Credit Line	Coen van Beuningen	Dutch Ministry of Foreign Affairs
Credit Expansion in Microcredit Programmes: Dilemmas and Feasible Methods for Studying Them	Arne Wiig	Norwegian Ministry of Foreign Affairs